



Accenture
100 William Street
Wellesley, MA 02481
Tel: 617-454-4091

September 27, 2001

Dave Wolf
Executive Vice President Medical Systems and Corporate Development
CareFirst BlueCross BlueShield
10455 Mill Run Circle
Owings Mills, Maryland 21117

Dear Dave,

Thank you for the opportunity to help CareFirst as you analyze the implications of potential changes to CareFirst's structure for your constituents. This letter describes how we will support you in this endeavor by refreshing the Case for Change, analyzing the potential impact on constituents, and preparing both findings for communication to external audiences.

Background

To enhance CareFirst's competitive position, it is considering converting to a for-profit organization while simultaneously merging with another health plan. CareFirst wants to understand constituents' thinking regarding these potential actions. Examples of constituents include:

- Members
- Physicians and other providers
- Hospitals
- Employers
- Consumer Groups
- CareFirst Employees
- Communities
- Brokers

Before it chooses to act, CareFirst would like to revisit the Case for Change, completed in 1998, to determine what has changed in the interim that may lead CareFirst to take a different path. CareFirst would also like to assess the potential impact of the transaction under consideration on its constituents.

Objectives

Overall, CareFirst's objectives for this effort are to:

1. Assess any material changes in the "Case for Change"
2. Determine the impact of contemplated actions on its key constituents, and
3. Communicate the results to external audiences

Approach, Scope and Deliverables

OCC 009019

The approach for this work focuses actions to quickly analyze CareFirst's constituents and update the Case for Change in light of the aggressive timeline required to have a CareFirst point of view available. Activities include:

- Develop an interim Case for Change
 - Develop understanding of recent CareFirst partnership investigations and activity
 - Review recent analysis regarding partnership scenarios, synergies
 - Conduct executive interviews to identify latest thinking regarding benefits and risks of acting
 - Compile list of existing foundations formed as part of conversions to for-profit status, amounts they hold and their purposes
 - Re-draft the Case for Change

The interim Case for Change will focus on updating those areas of analysis in the existing Case for Change; few, if any, new areas of analysis will be included for this interim report

- Conduct Constituent Analysis
 - Develop the list of key constituents
 - Develop decision influence map based on constituents' goals, objectives, and influences
 - Identify constituent needs and motivations related to potential changes in CareFirst structure - frame facts that would be of most interest to them
 - Use constituent analysis to determine our focus for the example case studies

In terms of scope for the constituent analysis:

- The majority of the analysis of constituent needs, motivations and high-priority issues will be supplied through existing CareFirst research
- The constituent analysis will be focused on key constituents, such as those listed above in this letter
- Determine Implications for Constituents
 - Assess external perspectives and reports on CareFirst's proposed changes
 - Analyze markets where similar experiences have occurred
 - Prepare case studies for two regions that have been through changes in BCBS structure, including interviewing constituent representatives within the case study geographies
 - Compare status quo vs. taking action, focusing on CareFirst's strategic objectives and high-priority issues
 - > CareFirst's performance under each scenario
 - > Impact on constituents under each scenario

Two case studies will be developed; additional case study work will be done as time allows, either by selecting another full case study, or focusing on a small number of specific issues and assessing those issues across a few constituent groups in more than one region. We will work with you to determine whether any additional case study analysis needs to be conducted, and if so, what issues we would focus on.

- Update Case for Change
 - Update Case for Change materials based on analysis
 - Review with CareFirst leadership and revise as needed

This effort will update the Case for Change to reflect issues surfaced through the Case Studies or through analysis of external reports on CareFirst's proposed transition.

Deliverables for this project include:

- An Interim Case for Change, packaged for external use
- A Constituent Analysis
- Analysis of the potential impact on constituents under two scenarios: CareFirst continues as is, or CareFirst executes the contemplated transactions.
- An updated Case for Change

Schedule

We will begin the work immediately upon your approval. We expect it will require 5 weeks to complete the work. This schedule is contingent upon our ability to leverage existing materials for the Interim Case for Change and the Constituent Analysis activities within this project. It is also dependent on the number of comparable situations we choose to analyze. We will work together to determine whether additional case studies are required.

We will target completing the updated Case for Change in time for the meeting of Strategic Planning Committee of the Board on October 25, 2001.

Proposed Team

The Accenture team will consist of four team members; an Associate Partner, Scott Soifer, (five days per week) to serve as the day-to-day project lead, two staff (five days per week), and myself approximately two days per week. We will also require CareFirst administrative and Corporate Development support part-time as needed.

I will be responsible for the Accenture team. Doug Ryckman has overall responsibility for all of Accenture's work at CareFirst, including this project. I plan to have the team work on-site at CareFirst three to four days per week, and in their home offices for the balance of the time. We will need office space, telephones, and analog telephone lines to accommodate four team members.

Assumptions

The following is a list of the key assumptions (the "Project Assumptions") upon which Accenture has relied in agreeing to perform the Services described in this Arrangement Letter, and define the legal conditions relating to Accenture's performance under this Arrangement Letter. Any deviation from the Project Assumptions could cause changes to the Project schedule, fees and expenses, deliverables, level of effort required, or otherwise impact Accenture's performance of the Services described in this Arrangement Letter.

1. Accenture will have timely access to accurate, comprehensive CareFirst data relevant to our work
2. Accenture will have timely access to executives knowledgeable about facts relevant to constituents and the case for change

3. CareFirst has already completed most of the work required to analyze constituents and this work will be made available to Accenture
4. The scope of this effort will be as described in the Approach, Scope and Deliverables section in this document

Professional Fees and Expenses

We will invoice you based on the effort we expend. We estimate the professional fees will be the range of \$60,000 - 65,000 per week, depending on the effort actually expended. Should the task require less time, we will invoice you commensurately less, based on the actual time required to complete the work. Barring any unforeseen circumstances or a mutually agreed upon change in scope, our professional fees will not exceed \$65,000 per week. If the project requires the anticipated five weeks to complete, the total will be \$300,000 - 325,000. As with all Accenture projects for CareFirst, this represents a discount from our normal fees.

If during the course of the project, we see the potential to exceed five weeks, we will notify you immediately, and seek your guidance regarding how to proceed.

Expenses will be billed as incurred and typically are approximately 10-15% of professional fees at our normal billing rates, subject to limitations in our Consulting Services Agreement.

Terms and Conditions

This document is issued under and is subject to the Consulting Services Agreement by and between Accenture and CareFirst dated October 25, 1999. This agreement serves as an umbrella agreement between CareFirst and Accenture.

Thanks again for the opportunity to help CareFirst prepare as you consider significant changes in the direction of the organization. Please let me know if you would like to discuss any modifications to our proposed approach. I look forward to working with you and your staff again.

Accenture

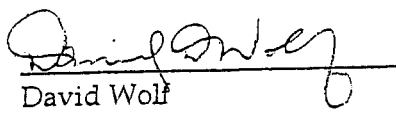
By:

Authorized Signature



Joe Marabito
Partner
Accenture

9/27/2001
Date



David Wolf
Executive Vice President of Medical Systems and
Corporate Development
CareFirst of Maryland
DBA CareFirst BlueCross BlueShield

9/20/01
Date

OCC 009022